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FISCAL IMPACT STATEMENT

LS 7427

BILL NUMBER: HB 1620

NOTE PREPARED: Feb 19, 2009

BILL AMENDED: Feb 19, 2009

SUBJECT: Energy Efficient Buildings.

FIRST AUTHOR: Rep. Pierce

FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: (Amended) This bill requires certain government buildings to be designed and constructed to achieve or exceed the level of energy efficiency required under certain rating systems. It provides that Indiana hardwood lumber may be considered for use as a local source material in any project in which the use of Indiana hardwood lumber is practicable. It specifies that the Environmental Protection Agency's Energy Star rating system is an optional standard permissible only for the renovation or reconstruction of a government building.

The bill deletes the \$10,000,000 maximum on the amount of bonds that may be outstanding for a state educational institution's qualified energy savings projects. It provides that in order to establish the reasonable expectation of savings for purposes of the statutes governing bonds for energy cost savings contracts, a state educational institution must enter into a qualified energy savings contract in which the qualified provider guarantees in writing that the guaranteed savings achieved will at least equal the annual debt service requirements on the bonds.

The bill requires the Fire Prevention and Building Safety Commission to adopt the most recent edition of the International Energy Conservation Code before July 1, 2010. It requires the Commission to adopt any subsequent editions of the code not later than two years after the effective date of the subsequent edition.

Effective Date: Upon passage; July 1, 2009.

Explanation of State Expenditures: (Revised) *Indiana Department of Administration (IDOA)*: The IDOA will experience administrative impacts due to the bill's requirement to develop design standards that promote energy efficiency that must be used in the renovation or construction of a state building. The IDOA must also

determine the cost effectiveness of the design and construction associated with achieving energy efficiency for certain state buildings. Indiana hardwood lumber is required to be utilized in renovation or construction of a state building, unless the IDOA determines that the use of the lumber is impracticable. Additional IDOA staff time may be required to meet the demands required in this bill. As of October 31, 2008, the IDOA had 24 vacant positions.

Lumber Purchasing Preference: The requirement that Indiana hardwood lumber must be considered in renovation or construction of a state building may limit competition for lumber suppliers for state building projects, which could result in higher expenditures. Indiana hardwoods and forest-based businesses are the fourth-largest manufacturing sector by employment. If the Indiana hardwood lumber is determined to be unsuitable for its desired use, then it is not required for use in construction and renovation.

State Educational Institutions: The bill deletes a provision in IC 21-34-10-7 that specifies that the amount of bonds outstanding for qualified energy savings contracts entered into by state educational institutions may not exceed \$10 M. However, state educational institutions must enter into qualified energy savings contracts in which the qualified provider guarantees in writing that the guaranteed savings achieved will at least equal the annual debt service requirements on the bonds.

Fire Prevention and Building Safety Commission: This bill requires the Commission to adopt the most recent edition, including addenda, of the International Energy Conservation Code (IECC) or the American Society for Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1 before July 1, 2010. The bill also requires the Commission to adopt any subsequent equivalent edition of the code or standard not later than two years after the effective date of the subsequent edition, and that the Commission may amend the code or standard as a condition of adoption. Additional staff time may be required to meet the demands required in this bill. As of October 31, 2008, the Commission had one vacancy.

Background: Energy Efficiency Standards for State Buildings: This bill requires the IDOA to develop design energy efficiency standards for newly constructed state buildings to achieve any of the following:

- (1) LEED Silver Rating;
- (2) Green Building Initiative's Two Globes Rating; or
- (3) any equivalent rating accredited by the American National Standards Institute.

Additionally, energy efficiency standards for renovated or reconstructed buildings may include the Environmental Protection Agency's Energy Star rating, as well as the rating systems above used for newly constructed buildings.

According to the U.S. Green Building Council's website, the LEED rating system was created to provide the building industry with consistent, credible standards for what constitutes a green building. The rating is determined by earning points in a number of categories, including sustainable sites, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality, and innovation in design. Projects are awarded Certified, Gold, Silver, or Platinum certification depending on the number of benchmarks met.

To achieve the Green Building Initiatives Two Globes rating, a building must be assessed by an independent third party that is affiliated with the Green Building Initiative. Out of 1,000 points possible, the building must achieve 550-690 (55%-69%) of the points to be recognized with two green globes. The most globes a building can receive is four. Areas evaluated include energy, indoor environment, emissions and effluents, resources, environmental management, and water.

The Energy Star is awarded to buildings that achieve a rating of 75 or higher using an Internet tool provided by the Environmental Protection Agency's Energy Star website. Areas evaluated include energy and water consumption and energy performance. After the required rating is achieved, the next step is a verification process.

ASHRAE 90.1-2007: This standard is meant to provide minimum requirements for the energy-efficient design of buildings.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: IDOA; Fire Prevention and Building Safety Commission; State educational institutions.

Local Agencies Affected:

Information Sources: U.S. Green Building Council, <http://www.usgbc.org/>; The Green Building Initiative, <http://www.thegbi.org/home.asp>; Environmental Protection Agency's Energy Star Website, <http://www.energystar.gov/>; Indiana State Department of Agriculture, <http://www.in.gov/isda/>; American Society of Heating, Refrigerating, and Air Conditioning Engineers, <http://www.ashrae.org/>; *State of Indiana HRM Detail Staffing Report, 10/31/08*.

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